



Arnold Schwarzenegger  
Governor

October 11, 2010  
22M:385:DEJ:9071:9072

Mr. Phillip Dunn, Executive Director  
Foothill Workforce Investment Board  
1027 East Green Street  
Pasadena, CA 991106

Dear Mr. Dunn:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Foothill Workforce Investment Board's (FWIB) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Jansson from July 27, 2009 through July 31, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by FWIB with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of FWIB, a review of applicable policies and procedures, and a review of documentation retained by FWIB for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on February 1, 2010, and reviewed your comments and documentation before finalizing this report. Because your response did

not address finding 1 cited in the draft report, we consider this finding unresolved. We requested that FWIB provide the Compliance Review Office (CRO) with additional information and a corrective action plan (CAP) to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 90243.

## **BACKGROUND**

The FWIB was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, FWIB was allocated: \$494,606 to serve 110 adult participants; \$482,543 to serve 110 youth participants; and \$542,453 to serve 125 dislocated worker participants.

For the quarter ending June 30, 2009, FWIB reported the following expenditures and enrollments for its WIA programs: \$443,788 to serve 146 adult participants; \$371,294 to serve 118 youth participants; and \$421,677 to serve 174 dislocated worker participants.

## **FISCAL REVIEW RESULTS**

We conclude that, overall, FWIB is meeting applicable WIA requirements concerning financial management.

## **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, FWIB is meeting applicable WIA requirements and ARRA requirements concerning procurement, we noted an instance of noncompliance in the area of cost/price analysis. The finding that we identified in this area, our recommendation, and the FWIB's proposed resolution of the finding is specified below.

## **FINDING 1**

**Requirement:** 29 Code of Federal Regulations (CFR) 97.36(b)(9) states, in part, that grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

29 CFR Section 97.36(f) states, in part, that grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. Additionally, a cost analysis will be necessary when adequate

price competition is lacking, and for sole source procurements, including contract modifications.

The FWIB's Policy/Procedure Statement - Procurement Standards (dated February 24, 2004) states, in part, that cost analysis is used when price competition is not adequate or is lacking altogether and where price analysis, by itself, does not ensure reasonableness of prices. Cost analysis is the review and evaluation, element by element, of the cost estimate supporting a bidder's proposal. Cost analysis shall be used for sole source procurements. Additionally, at a minimum, staff conducting the procurement shall make an independent estimate before receiving bids or proposals.

**Observation:**

We observed that FWIB, in one procurement file for training services (\$5,900), did not adequately document the reasonableness of the cost of this contract. The FWIB staff stated that the procured vendor was the only vendor who responded to the solicitation for training services. The FWIB accepted the vendor's bid without documenting attempts to determine if the training services were reasonable.

Specifically, the procurement file did not include adequate documentation of a cost/price analysis which requires a review and evaluation, element by element, of the cost supporting that contractor's bid.

**Recommendation:**

We recommended that FWIB provide CRO a CAP that will ensure small purchase procurements, specifically non-competitive procurements, include FWIB generated, independent estimates to ascertain reasonableness of contract costs. Additionally, we recommended that the CAP include keeping such documentation in the procurement files to demonstrate compliance with federal, state and local policy and procedures regarding cost/price analysis.

**FWIB Response:**

The FWIB stated they had, in fact, conducted a price analysis based on 29 CFR Section 97.36(f)(1), which states, in part, that a cost analysis is necessary for sole source procurements "unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public." The FWIB's response also notes that the vendor offers his services to the general public and has

provided his services in substantial quantities, and included the cost per training course (\$3,100 each).

**State Conclusion:** Based on FWIB's response, we cannot resolve this issue at this time. The FWIB did not provide documentation of a price analysis for its procurement of the above vendor. Specifically, the FWIB did not establish that the cost of the training services was compared to a catalogue or market price for a similar type of training, nor did it establish that the services were provided to the general public in substantial quantities. Furthermore, the FWIB did not provide a CAP as requested.

We again recommend that FWIB provide CRO a CAP that will ensure small purchase procurements include FWIB generated, independent estimates to ascertain reasonableness of contract costs.

This finding will remain open and has been assigned CATS number 90243.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 16, 2010. Please submit your response to the following address:


Compliance Monitoring Section  
Compliance Review Office  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is FWIB's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain FWIB's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Joyce Fong, MIC 50  
Jose Luis Marquez, MIC 50  
Daniel Patterson, MIC 45  
Georganne Pintar, MIC 50